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KVB KUNLUN FINANCIAL GROUP LIMITED

昆侖國際金融集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code on Main Board: 6877)

(Stock code on GEM: 8077)

TRANSFER OF LISTING FROM THE GROWTH ENTERPRISE MARKET TO THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Financial adviser to the Company



On 30 August 2017, an application was made by the Company to the Stock Exchange for the Transfer of Listing from GEM to the Main Board. The Company has applied for the listing of, and permission to deal in, (i) 2,033,240,000 Shares in issue; and (ii) 151,600,000 new Shares, being the maximum number of new Shares which may fall to be issued pursuant to the exercise of all options which has been or may be granted under the Share Option Scheme, on the Main Board by way of the Transfer of Listing.

The Board is pleased to announce that the approval-in-principle for the Transfer of Listing has been granted by the Stock Exchange on 6 December 2017 for the Shares to be listed on Main Board and de-listed from GEM. The last day of dealings in the Shares on GEM (stock code: 8077) will be 14 December 2017. It is expected that dealings in the Shares on the Main Board (stock code: 6877) will commence at 9:00 a.m. on 15 December 2017. All pre-conditions for the Transfer of Listing have, insofar as applicable, been fulfilled in relation to the Company and the Shares.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates. No change will be made to the English or Chinese stock short names of the Company, the existing share certificates, the board lot size, the trading currency of the Shares and the share registrars and transfer offices of the Company following the Transfer of Listing.

Reference is made to the announcement issued by the Company on 30 August 2017 in relation to the formal application submitted to the Stock Exchange for the Transfer of Listing pursuant to the relevant provisions of the GEM Listing Rules and the Main Board Listing Rules.

TRANSFER OF LISTING OF THE SHARES FROM GEM TO THE MAIN BOARD

On 30 August 2017, an application was made by the Company to the Stock Exchange for the Transfer of Listing from GEM to the Main Board. The Company has applied the listing of, and permission to deal in, (i) 2,033,240,000 Shares in issue; and (ii) 151,600,000 new Shares, being the maximum number of new Shares which may fall to be issued pursuant to the exercise of all options which has been or may be granted under the Share Option Scheme, on the Main Board by way of the Transfer of Listing. The approval-in-principle for the Transfer of Listing has been granted by the Stock Exchange on 6 December 2017 for the Shares to be listed on Main Board and de-listed from GEM.

The Board confirms that all pre-conditions for the Transfer of Listing have, insofar as applicable, been fulfilled in relation to the Company and the Shares as at the date of this announcement.

REASONS FOR THE PROPOSED TRANSFER OF LISTING

The issued Shares have been listed and traded on GEM since 3 July 2013. The Group is principally engaged in the provision of leveraged foreign exchange and other trading, cash dealing business, and other services.

The Board believes that the Transfer of Listing will enhance the corporate profile of the Company and provide increased visibility and recognition of the Group. This will, in turn, add to the competitive strength of the Group as well as increase the confidence of its investors and stakeholders. The Board also expects that the Main Board trading platform will enhance the trading liquidity of the Shares as well as the fund raising capability of the Group. All of these factors will ultimately contribute to increasing value to the Shareholders. Accordingly, the Board is of the view that the Transfer of Listing, if successful, would be beneficial to the future growth and development of the Group and is in the overall interest of the Company and its Shareholders as a whole.

As at the date of this announcement, the Board has no immediate plans to change the nature of the business of the Group following the Transfer of Listing. The Transfer of Listing will not involve the issue of any new Shares by the Company.

DEALING IN THE SHARES ON THE MAIN BOARD

The Shares have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from 3 July 2013, the date on which the Shares were first listed on GEM. Subject to continued compliance with the stock admission requirements of HKSCC, the Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The last day of dealings in the Shares on GEM (stock code: 8077) will be Thursday, 14 December 2017. Dealings in the Shares on the Main Board (stock code: 6877) will commence at 9:00 a.m. on Friday, 15 December 2017.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for trading, settlement and registration purposes and will not involve any transfer or exchange of the existing share certificates. Currently, the Shares are traded in the board lot of 5,000 Shares each and are traded in Hong Kong dollars. The principal share registrar and transfer office of the Company is Conyers Trust Company (Cayman) Limited, and the Hong Kong branch share registrar and transfer office of the Company is Union Registrars Limited. No change will be made to the English or Chinese stock short names of the Company, the existing share certificates, the board lot size, the trading currency of the Shares and the abovementioned share registrars and transfer offices of the Company following the Transfer of Listing.

SHARE OPTION SCHEME

The Share Option Scheme was conditionally adopted by the Company on 3 June 2013 for the purpose of attracting, retaining and motivating talented eligible participants to strive for future developments and expansion of the Group. The Share Option Scheme will remain effective following the Transfer of Listing subject to certain immaterial amendments to the Share Option Scheme and will be implemented in full compliance with the requirements of Chapter 17 of the Main Board Listing Rules.

Pursuant to the Share Option Scheme, the Board may, at its discretion, grant options to eligible participants entitling them to subscribe for Shares. The total number of Shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10% of the issued share capital of the Company as at the adoption date, being 200,000,000 Shares, unless further Shareholders' approval is obtained in a general meeting.

As at the date of this announcement, outstanding options previously granted but unexercised under the Share Option Scheme would entitle the holders thereof to subscribe for 71,600,000 Shares, and such options will remain valid and exercisable in accordance with its terms of issue following the Transfer of Listing.

The listing of the Shares to be issued pursuant to the exercise of any options under the Share Option Scheme will also be transferred to the Main Board pursuant to Rule 9A.10 of the Main Board Listing Rules.

Save for the abovementioned outstanding options previously granted but unexercised under the Share Option Scheme, the Company has not issued any options, warrants or similar rights or convertible equity securities of which will be transferred to the Main Board as at the date of this announcement.

PUBLIC FLOAT

The Directors confirm that at least 25% of the total issued share capital of the Company was held by the public (as defined in the Main Board Listing Rules) as at the date of this announcement. Accordingly, the minimum 25% public float requirement has been maintained in compliance with Rule 8.08 of the Main Board Listing Rules.

COMPETING INTERESTS

As at the date of this announcement, none of the Directors, the Controlling Shareholders or their respective associates has any interest in any business which competes or potentially competes, either directly or indirectly, with the business of the Group pursuant to Rule 9A.09(10) of the Main Board Listing Rules.

FINANCIAL INDEPENDENCE

The Group has an independent financial system and makes financial decisions according to its own business needs. There have been no financial assistance, guarantee and/or security provided by the Controlling Shareholders or their respective associates for the Group since the listing of the Company on the GEM and up to the date of this announcement. The Directors believe that the Company is capable of obtaining financing from third parties without reliance on the Controlling Shareholders.

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

Pursuant to Rule 9A.12 of the Listing Rules, the general mandates granted by the Shareholders at the annual general meeting of the Company on 10 May 2017 to the Directors to (i) issue and allot new Shares; (ii) repurchase Shares; and (iii) extend the general mandate granted to the Directors to issue Shares by nominal amount of Shares repurchased by the Shareholders, will continue to be valid and remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the laws or regulations of Cayman Islands or the Articles of Association to be held; or
- (c) the revocation or variation of such authority by an ordinary resolution of the Shareholders in general meeting.

PUBLICATION OF RESULTS

Upon the Transfer of Listing, the Company will cease the practice of reporting financial results on a quarterly basis and will follow the relevant requirements of the Main Board Listing Rules, which include publishing its interim results and annual results within two months and three months from the end of the relevant periods or financial year ends, respectively.

BUSINESS REVIEW SINCE ITS LISTING ON GEM

Background of businesses of the Group

The Group has been principally engaged in the provision of financial investment services to overseas Chinese and Japanese communities through its offices situated in New Zealand, Australia, Hong Kong and Mainland China. Its primary focus is on the provision of leveraged forex and other trading services, while the provision of cash dealing and securities trading referral services also forms part of its business model.

The Group mainly generates income derived from (i) the provision of leveraged forex and other trading services; (ii) the provision of cash dealing services; and (iii) the provision of other services (including management services and securities trading referral services) as well as fees and commission income incidental to the business operations of leveraged forex and other trading.

The following table sets out the breakdown of the Group's income during the Track Record Period:

	Year ended 31 December						Six months ended 30 June			
	2014		2015		2016		2016		2017	
	HK\$'000	% of total income	HK\$'000	% of total income	HK\$'000	% of total income	HK\$'000 (unaudited)	% of total income	HK\$'000 (unaudited)	% of total income
Leveraged forex and other trading income	144,207	76.4	343,062	84.3	306,036	84.4	161,021	84.9	157,965	80.1
Cash dealing income/(losses)	16,636	8.8	11,517	2.9	4,251	1.2	2,919	1.5	(16)	(0.0)
Fee and commission income	23,686	12.6	48,819	12.0	55,356	15.2	28,951	15.3	37,389	19.0
Other income/(losses)	4,105	2.2	3,413	0.8	(3,036)	(0.8)	(3,320)	(1.7)	1,772	0.9
Total	188,634	100	406,811	100	362,607	100	189,571	100	197,110	100

Leveraged forex and other trading income

Forex trading is one of the fastest-growing areas of retail trading in the financial services industry. In a forex trade, participants buy one currency and simultaneously sell another currency. The two currencies in a forex trade are referred to as a currency pair. The first currency noted in the pair is the base currency and the second is the counter currency. An investor speculates that one currency will appreciate in relation to the counter currency in the pair. The Group's clients make a profit or suffer a loss depending on the difference between the exchange rates at which the clients open and close their positions. Inherently, the magnitude of price changes in respect of forex, indices and commodities are usually not apparent in any single trading day under normal market conditions. Leverage, being a scheme to make the trading more attractive, is added to the forex and other trading services of the Group to amplify the profit or loss on price changes. Such profit or loss is amplified by the leverage ratio granted to the clients. There is no physical settlement of the contract sum in the underlying currency and only the difference in respect of price changes is required to be settled.

Leveraged forex is not traded on any organised exchange. It is traded on a contractual basis between clients and market makers. In response to a request for quotation, market makers will quote the bid and ask prices simultaneously. The clients can then decide whether to choose to buy (long) or sell (short) a contract at that price. The Group facilitates these trades by providing clients with its online trading platform, ForexStar, which allows them to buy and sell in 31 currency pairs. Other than leveraged forex trading, as at the date of this announcement, the Group also offers leveraged trading to its clients to buy and sell nine indices, namely DAX® Futures, CSI 300 Stock Index Futures, U.S. Dollar Index Futures, Shanghai Stock Exchange Composite Index Futures, ASX SPI200™ Index Futures, Nikkei 225 Futures, Dow Jones Industrial Average Index Futures, Hang Seng Index Futures and SGX FTSE China A50 Index Futures and nine commodities, namely WTI Crude Oil Futures, Soybean Futures, Corn Futures, Natural Rubber Futures, Copper Futures, Gold US Dollar, Silver US Dollar, Gold Chinese Yuan and Silver Chinese Yuan. The currency pairs, indices and commodities contributed to approximately 52.3%, 10.7% and 37.0%, respectively, to the total trading volume of the Group for the year ended 2014; approximately 56.6%, 23.4% and 20.0%, respectively, to the total trading volume of the Group for the year ended 2015; approximately 49.9%, 12.6% and 37.6%, respectively, to the total trading volume of the Group for the year ended 2016; and approximately 50.5%, 6.4% and 43.1%, respectively, to the total trading volume of the Group for six months ended 30 June 2017.

The Group provides its clients with 24-hour dealing services which provide flexibility to conduct leveraged forex trading. The Group does not normally intervene in a client's trade other than to apply a markup based on market conditions and risk exposure but which does not normally change irrespective of how the client's trade is executed or its profitability.

Leveraged forex and other trading income are mainly generated as follows:

- (a) for the trades of one client which are naturally hedged against and offset the trades of another client, the Group receives the bid/offer spreads it offers to both clients in the two offsetting transactions; and
- (b) for the trades which are hedged with one of the market makers, the Group receives the difference between the retail bid/offer spreads it offers to its clients and the wholesale bid/offer spreads from market makers.

The spreads for USD currency pairs and other cross currency pairs are normally topped at approximately 0 pips to 100 pips offered by market makers. However, the spread which could possibly be earned by the Group is in turn driven by market volatility as currency prices are correlated to the general macroeconomic conditions. As a general rule, changes in bid/offer spreads are generally accepted to be correlated to market volatility and liquidity as an empirical phenomenon. Accordingly, the Group adjusts the spreads offered to its clients corresponding to the prevailing spreads offered in the market so that the higher the volatility, the higher the spreads it can earn. The income of the Group is also directly related to the trading volume of its clients as it is through the trades initiated by its clients where it is able to earn the spreads mentioned above.

The Group generally acts as the market maker to its clients' trades and as the agent for trades conducted by its clients. The Group provides market liquidity and market pricing for its clients' trades as the market maker. When its clients buy or sell contracts of forex, commodities or indices from the Group, the Group is carrying opposite positions against its clients, therefore, the Group is subject to risk exposure. In order to minimise risk exposure, the Group will either hedge its positions by natural hedge strategy or market maker hedge strategy under different circumstances. The principle of natural hedge strategy is that a client's position can be offset with other clients' positions in the pool and in that case, the Group acts as the market maker to offer market liquidity and market pricing for its clients. The principle of market maker hedge strategy is to back-off its clients' positions to market makers and under such arrangement, the Group in fact acts as the agent to arrange trades between its clients and market makers. The Group mainly derives income from the spread differential between two clients under the natural hedge strategy in its role as the market maker and the spread differential between its clients and market makers under the market maker hedge strategy in its role as the agent. Less income will be generated by the trades derived from market maker hedge strategy than those derived from natural hedge strategy because cost markup is charged by market makers under the market maker hedge strategy. However, the application of the natural hedge strategy depends on the timing, pricing and types of trades executed by clients. All amounts are settled through bank transfer or telegraphic transfer.

Cash dealing income

Besides the leveraged foreign exchange and other trading business, the Group also provides cash dealing services to KVB Kunlun Global Capital Limited, all being its cash dealing business clients and the subsidiaries of KVB Kunlun Holdings Limited and its relevant subsidiaries which were engaged in the money changing business but which do not belong to the Group, for the purpose of hedging their cash positions and meeting settlement obligations.

The Group is rewarded the spread between the price quoted to its clients and the price offered by market makers. The spreads for USD currency pairs and other cross currency pairs traded by its clients normally range from approximately 3 pips to 70 pips.

The major differences between the Group's leveraged forex and other trading business and its cash dealing business are that cash dealing is traded without any leverage (while leveraged forex and other trading is traded up to 200 times of the amount of margin deposits) and does not involve trading of indices or commodities.

Fees and commission income

The Group also derives fees and commission income incidental to the business operations of leveraged forex and other trading based on the added fees and commissions charged on forex and other trading business, which consists of commission charged on clients trading, commission charges imposed on certain clients referred by referral parties and fees received from clients for additional services rendered such as remittance charge on withdrawal of money.

Other income

The Group's other income is mainly including interest income, net exchange gain/(loss) and handling fee rebate.

Expenses

The following table summarises the expenses incurred by the Group over the Track Record Period:

	Year ended 31 December			Six months
	2014	2015	2016	ended 30 June
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
				(unaudited)
Referral expenses and other charges	61,127	120,462	160,407	114,770
Staff costs	36,545	80,660	60,105	24,995
Depreciation and amortisation	3,138	5,401	8,146	6,164
Lease payments under land and buildings	6,462	9,300	12,548	6,836
Administrative and other operating expenses	33,645	60,836	65,992	36,011
Total expenses	140,917	276,659	307,198	188,776

Referral expenses and other charges represented approximately 43.4%, 43.5%, 52.2% and 60.8% of the total expenses of the Group for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 respectively, being the major component of the total expenses of the Group.

The Group has entered into commission sharing agreements and works selectively with a network of referral parties pursuant to which the referral parties would refer clients interested in leveraged trading to use the leveraged forex and other trading services of the Group (in respect of, *inter alia*, indices and commodities products) in return for commission rebates. The referral parties charge a commission (at an agreed fixed amount) on each lot of trading carried out by referred clients. Therefore, the amount of commission payable to referral parties is based on, and directly correlated to, the referred client's trading volume.

The amount of commission expense paid by the Group significantly increased over the last three years mainly due to the increase in trading volume of referred clients coupled with a gradual increase in commission rate charged by referral parties since the year ended 31 December 2015 mainly caused by fierce competition from international multi-product trading firms, other online trading firms and financial institutions.

Major clients and market makers

Major clients

The clients of the Group include direct clients as well as clients referred by referral parties that the Group has entered into commission sharing agreements with who seek to offer a broader array of financial products (including leveraged products) to their clients.

The clients of the Group are principally based in jurisdictions in which the Group provides leveraged forex and other trading services and cash dealing services, namely in New Zealand, Australia, Hong Kong and Mainland China. The clients of the Group enter into client services agreements with the subsidiaries in the Group located in New Zealand, Australia, Hong Kong and Mainland China.

The Group had 24,705 active clients (i.e. clients whose account had recorded at least one trade in the previous twelve months) as at 30 June 2017. During the three years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, the Group's five largest clients contributed to in aggregate approximately 15.0%, 26.9%, 11.3% and 18.8%, respectively, of its trading volume. The Group's largest client over the same periods, each being an Independent Third Party, accounted for approximately 5.9%, 16.2%, 4.0% and 8.8%, respectively, of the trading volume of the Group.

Major market makers

The Group has established trading relationships with market makers (duration of relationship with them ranging from approximately one to thirteen years) such as institutional banks and other financial institutions for the provision of liquidity to its leveraged forex and other trading business. The Group had sixteen market makers who provided services to it as at 30 June 2017. 2, 3, 7, 1 and 1 of the Group's market makers have received a Standard & Poor's credit rating of A, A-, BBB+, BBB and BBB- respectively, while the credit rating of the remaining 2 market makers were unavailable as at the date of this announcement.

No commission rebate was received by the Group from market makers during the Track Record Period. For the three years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, the trading volume of the Group's five largest market makers accounted for in aggregate approximately 24.6%, 66.3%, 60.0% and 70.5%, respectively, of the total market makers' trading volume of the Group. For the same periods, the trading volume of the Group's largest market maker accounted for approximately 6.6%, 22.1%, 19.9% and 22.0%, respectively, of the total market makers' trading volume of the Group.

Historical financial results of the Company

	For the year ended 31 December			For the six months ended 30 June	
	2014	2015	2016	2016	2017
	HK\$'000 (audited)	HK\$'000 (audited)	HK\$'000 (audited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Leveraged foreign exchange and other trading income	144,207	343,062	306,036	161,021	157,965
Total income	188,634	406,811	362,607	189,571	197,110
Total expenses	140,917	276,659	307,198	142,215	188,776
Operating profit	47,717	130,152	55,409	47,356	8,334
Profit attributable to shareholders for the year/period	35,081	94,709	38,688	34,028	3,089

The level of income and performance of the Group is principally affected by the market volatility and the trading volume of the Group's clients. As a general rule, changes in bid/offer spreads are generally accepted to be correlated to market volatility and liquidity as an empirical phenomenon.

Financial performance for the year ended 31 December 2014

The Group's total income increased from approximately HK\$176.7 million in 2013 to approximately HK\$188.6 million in 2014, up about 6.7%. The Group recorded an annual profit of approximately HK\$35.1 million in 2014 (similar level as 2013) despite experiencing historically low volatility in the global foreign exchange market in the first half of 2014. Such market sentiment reduced trading intentions of the Group's customers, which adversely affected the Group's foreign leveraged forex and other trading business due to lower trading volume.

The entire market conditions improved since the third quarter and reached a moderate volatile market condition with the US announcement of its exit from the third round of quantitative easing announced on 13 September 2012 (QE3) and sharp decline in bulk commodities and non-US currencies in the fourth quarter. The Group firmly grasped the market conditions for a short period in the last quarter, successfully turning losses into a profit, proving the ability of the Group's core trading department to grasp market conditions and achieve profits.

Amid the conditions that the profits were turned to losses in the first half of 2014, the management of the Group withstood pressure from costs and made investment in employee share options, forex star system-related information technology, market brand, marketing and other aspects, which added the positive elements to the future business development of the Group.

As the Group continued on its marketing campaign, the number of clients increased by 36.1% in 2014 compared with the previous year. During the year, the Group also launched the China Stock Index 300 (CSI300) and Australia Stock Market Index (Aussie200) and one new commodity under leveraged trading, namely, Copper contracts for difference. A new currency pair "USDCNH" was also added to the Group's currency trading list. This was in line with market trend for investors to invest in commodities to safeguard the value of their wealth.

In 2014, the net deposit of the margin leveraged trading clients of the Group increased by 26.8% compared to 2013, which also enhanced the Group's leveraged forex and other trading profitability.

Financial performance for the year ended 31 December 2015

Despite the foreign exchange, commodity and equity markets being plagued by financial storms and crises in 2015, the foreign exchange and commodity markets experience high overall volatility compared to that of 2014. Under such favorable trading conditions, the Group saw significant growth in business in terms of income, trading volume and profit. Its total income increased significantly to approximately HK\$406.8 million in 2015 (from HK\$188.6 million in 2014) and its annual profit increased to approximately HK\$94.7 million (representing 270% of that of 2014). The number of newly registered customers of leveraged forex and other trading also increased by 270% compared to 2014, and the amount of clients' net deposits also increased significantly. The Group attributed its ability to withstand difficult periods (including the global foreign exchange industry being heavily struck by substantial fluctuation of Swiss franc exchange rate at the beginning of the year) to its successful trading strategies, solid and effective risk management and control and rapid response.

During the year, the Group successfully introduced CITIC Securities (one of the most progressive and globalised full-fledged securities company in Mainland China) as a strategic controlling shareholder of the Company following which the Group would benefit from the rich strategic resources, support and network advantages of CITIC Securities to accelerate its market deployment on a more extensive scale, develop different financial products and services in order to better grasp the opportunities from the foreign exchange markets. The number of institutional customers, retail and high net worth customers increased by 98% during the year as a result of active development of mutually beneficial relationships between institutions, expansion of channels and enhancement of brand image, as well as improvement of customer need and experience-oriented service system.

During the year, the Group continued to invest more capital to ensure the safe operation of the core trade execution server and ForexStar trading system, so as to achieve rapid paralleled transactions of substantially increased number of customers and data stabilisation. The Group also continued to improve its risk management measures for market participants to achieve better balance between security and capital efficiency.

In terms of product range, the Group launched three new index-CFD (contract for difference) products in 2015 in order to meet the demands of, and provide more investment opportunities to, its clients in the global financial markets.

Financial performance for the year ended 31 December 2016

In 2016, challenges was brought by unpredictable global political and economic changes, such as the tumbling pound sterling after the Brexit referendum, the unexpected result of the US presidential election, the depreciation of RMB and interest rate hikes by the US Federal Reserve, which have led to dramatic and unexpected turns in the foreign exchange market which were difficult to predict. The team of the Group was able to respond promptly, implement stringent risks control and make profits with trading strategies when facing sudden fluctuations in the market.

During the year, the Group achieved a total annual income of approximately HK\$362.6 million and recorded an annual profit of approximately HK\$38.7 million. In order to mitigate the impact of market uncertainties, the Group strengthened the management of referral channels and achieved a year-on-year increase of 36% in trading volume contributed by referral channels and an increase in net deposits of 12%. Due to the increase in trading volume of the clients referred by services providers and fierce competition from international multi-product trading firms, other online trading firms and financial institutions, referral expenses and other charges of the Group increased by approximately 33.1% to approximately HK\$160.4 million for the year ended 31 December 2016 from approximately HK\$120.5 million in the previous year.

In terms of brand maintenance, the Group initiated brand promotion through collaboration with a well-known media group. With the customised professional foreign exchange information broadcasts, the Group has established a professional image among the Chinese all over the world, and enhanced its brand exposure which in turn helped strengthen its differentiation from competitors.

In the area of financial technology, the Group implemented a number of functionality enhancements on the trading system, and continued with its investments in hardware and software for digital marketing. The Group expedited the progress of IT's infrastructure and network upgrades. The implementation of the VMware virtualized platform and Lenovo's blade servers contributed to the significant enhancement of the trading system's efficiency and stability, providing the clients with a fast and reliable trading experience. The network security technologies of Cisco and Fortinet were also put in place to ensure the information security for the Group and its clients.

Financial performance for the six months ended 30 June 2017

During the first six months in 2017, the Group was experiencing very low volatility in the global foreign exchange and commodity markets and such unfavourable trading conditions had led to a decrease in gross trading volume from existing clients. However, due to new client registrations, the total volume of client trading increased over the period, resulting in an increase in total income of the Group by approximately 4.0% to approximately HK\$197.1 million (compared to approximately HK\$189.6 million for the six months ended 30 June 2016).

The net profit of the Group decreased significantly for the six months ended 30 June 2017 compared to the same period in 2016. This was mainly attributable to (i) the decrease in leveraged forex and other trading income which mainly resulted from the low market volatility; (ii) the increase in referral fees and other charges mainly caused by the increased commission rebate to external parties (including margin business and PRC operations resulting from higher trading volume); and (iii) increased expenditure due to business expansion in the PRC.

The retail margin foreign exchange trading market is highly competitive. These include international multi-product trading firms, other online trading firms, and other financial institutions. The Group expects the market to remain very competitive in year 2017 and the foreseeable future. The Group is constantly looking for ways to improve customer service level and meets the needs of Group's clients by providing more trading opportunities in the global financial markets.

Financial performance for the nine months ended 30 September 2017

On 8 November 2017, the Company announced the unaudited condensed consolidated quarterly results of the Group for the nine months ended 30 September 2017. For details, please refer to the said announcement and the third quarterly report for the three months ended 30 September 2017 published on 8 November 2017 and 13 November 2017, respectively.

Segment reporting

The Group's operating business segments are structured and managed separately according to the nature of their operations and the services they provide. Each of the Group's business segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those of the other business segments. The Board considers the business from a geographical and product perspective.

Summary details of the business segments are as follows:

- (a) the margin dealing segments engage in the provision of leveraged foreign exchange and other trading services in Hong Kong and New Zealand;
- (b) the unleveraged cash dealing segment engages in the provision of non-leveraged foreign exchange trading services in New Zealand. Unleveraged cash dealing services were provided to corporate clients, in particular, those clients engaged in money changing business for the purpose of hedging their cash positions and meeting settlement obligations. The Group is rewarded by the spread between the price quoted to our clients and the price offered by our market makers;
- (c) the investment sales segments engage in provision of sales and marketing functions to clients in New Zealand and Australia; and
- (d) the PRC business segment engages in provision of trading and settlement of precious metals in PRC.

The summary of segment information of the Group for the three years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 is set out below:

	New Zealand Margin dealing HK\$'000	Hong Kong Margin dealing HK\$'000	New Zealand Cash dealing HK\$'000	New Zealand Investment sales HK\$'000	Australia Investment sales HK\$'000	PRC Business HK\$'000	Unallocated HK\$'000	Elimination HK\$'000	Total HK\$'000
For the year ended 31 December 2014									
Segment revenue	144,214	45,650	16,636	6,687	16,311	-	-	(68,655)	160,843
Segment profit	30,295	38,914	15,516	(1,575)	11,824	-	6,147	-	101,121
For the year ended 31 December 2015									
Segment revenue	342,917	119,124	11,517	27,628	22,781	-	-	(169,388)	354,579
Segment profit	80,403	109,341	11,078	12,740	18,968	-	2,340	-	234,870
For the year ended 31 December 2016									
Segment revenue	310,104	113,657	4,251	14,489	13,317	(4,066)	-	(141,465)	310,287
Segment profit	52,561	104,238	3,228	952	9,367	(17,388)	(2,621)	-	150,337
For the six months ended 30 June 2017 (unaudited)									
Segment revenue	128,362	43,558	(16)	9,538	5,811	27,735	-	(57,039)	157,949
Segment profit	(4,587)	39,328	(639)	2,565	3,824	6,805	5,254	-	52,550

Regulatory matters

To the best of the knowledge of the Directors, over the Track Record Period:

- (a) the Group and its staff have obtained all necessary authorisations, licences and qualifications over the Track Record Period to operate its business in the jurisdictions in which the Group is deemed to conduct business, and all such authorisations and licences remain valid and effective as at the date of this announcement; and
- (b) the Group has complied with all applicable laws, rules and regulations in all material respects in conducting its business in the jurisdictions in which our Group is deemed to conduct business, except that, on 22 October 2014, KVB Kunlun New Zealand Limited, a wholly-owned subsidiary of the Company, and its former managing principal, were publicly censured by the New Zealand Markets Disciplinary Tribunal for breach of the NZX Participant Rules for: (a) failing to provide necessary certification to the New Zealand Exchange (NZX) prior to offering initial public offering shares to employees and certain “prescribed persons” (as defined in the NZX Participant Rules) of the firm; and (b) employees and certain “prescribed persons” failing to observe relevant trading restrictions in selling securities during restricted periods, leading to a total fine of NZD65,000 (equivalent to approximately HK\$375,000). The Group has since taken remedial actions to prevent the recurrence of such non-compliance matter. The financial impact of the relevant breaches of the NZX Participant Rules is not considered by the Board to be material to the overall business of the Group.

Major developments since listing on GEM

On 2 June 2016, our Group entered into a membership agreement with Tianjin Precious Metals Exchange Limited (“TPME”), a precious metals exchange in Tianjin, the PRC which facilitates trading of silver, platinum, palladium, nickel, copper and aluminum, pursuant to which TPME provided spot trading and settlement platform for precious metals trading of its clients in Mainland China. The Directors believed at the time that spot trading business in precious metals would strengthen the Company’s exposure in the PRC market and broaden its customer base as well as enhance its trading volume and profit.

However, on 2 June 2017, the Group received a notice from TPME to the effect that TPME would adjust its precious metals spot trading business with a view to reduce the trading risks. Amongst others, TPME would suspend the opening of new trading positions for all spot commodities traded on TPME with effect from 12 June 2017 (the “**Suspension**”). The closing of existing trading positions will not be affected.

The Group was not informed when or if the Suspension will be lifted and therefore has no intention at present to continue its commodity spot trading business on TPME. However, the Group may consider resuming such business upon lifting of the Suspension if permitted to do so by TPME and/or relevant PRC authorities. The Group will closely monitor the situation and update the market and investors in the event of any material development in this business which may have a material impact on the financial results and/or operations of the Group.

As a result of the Suspension, other than the closing of existing positions, the Group is no longer able to generate revenue from the spot trading business in precious metals on TPME after 12 June 2017. All existing positions of the Group are expected to be closed by no later than 31 December 2017.

For the year ended 31 December 2016, the Group generated leveraged trading loss from the PRC business of approximately HK\$4.1 million. For the six months ended 30 June 2017, the Group generated leveraged trading income from the PRC business of approximately HK\$27.7 million.

As a result of the Suspension, other than the closing of existing positions, the Group will no longer be able to generate income from the PRC business. To the best of the Directors’ knowledge, information and belief, the impact of the Suspension would not be significant to the business and current financial position of the Group as a whole. The Group intends to continue to explore other opportunities in respect of commodities trading in the PRC.

Save for the above development of business in the PRC, the business operation of the Group has not materially changed since the listing of the Company on GEM.

Use of proceeds since listing on GEM

The following table illustrates the proposed use of net proceeds from the Group's GEM listing and the actual utilisation of the net proceeds as at 30 June 2017:

	Proposed use of proceeds <i>HK\$</i>	Actual use of proceeds (up to 30 June 2017) <i>HK\$</i>
Expansion of operations in the worldwide overseas Chinese and Japanese communities	36,000,000	36,000,000
Increase in the range of the financial services and products of the Group	35,000,000	5,000,000
Further upgrade of the online trading platform of the Group	28,000,000	28,000,000
Strategic growth through mergers and acquisitions	21,000,000	–
Total net proceeds	120,000,000	69,000,000

In respect of the increase in the range of the financial services and products, the Group previously intended to use the proceeds to develop more products and services in the PRC. Due to the Suspension, the Group has suspended, and currently has no intention to apply, further expenditures relating to the commodity spot trading business which has resulted in a slowdown of related use of proceeds. Currently the Group intends to use part of the proceeds to develop a new mobile trading application in order to enable its clients to place trade orders, access market information as well as manage their trading accounts.

In respect of the strategic growth through mergers and acquisitions, the Group has made efforts to solicit potential acquisition targets (which have solid financial performance and client base, sound business model and are in the field of business complementary to the existing business of the Group) since the listing on the GEM for its ongoing strategic growth. The Company has attempted to identify potential acquisition targets through discussions with investment banks, external advisers as well as business acquaintances within the industry. As at the date of this announcement, the Group has not yet entered into any binding commitment or agreement in respect of any merger and acquisition opportunity (mainly due to the potential acquisition targets failing to meet the Group's assessment criteria, or due to failure to agree and/or conclude on commercial terms), and therefore the Group has not utilised the net proceeds allocated to mergers and acquisitions. The Company intends to continue to use the relevant proceeds for the purpose of potential acquisition of suitable targets which may be identified in the future. In the event that no such suitable targets are identified and the Directors have determined on a change of use of proceeds, the Company will publish an announcement disclosing relevant details.

Outlook of the Group

Due to extremely low volatility in the global foreign exchange and commodity markets in the first half of 2017, the financial results of the Group had been adversely affected despite a slightly higher level of trading volume (leading to incurrence of higher referral expenses and other charges) compared to the same period in the previous year. The profitability of the Group for the first half of 2017 was further affected by the increase in expenditures (including higher referral expenses and other charges to external parties) due to business expansion in the PRC.

While it is expected that the market will recover from unfavorable trading conditions with increased volatility in the market in the second half of 2017 (given the general cyclical nature of volatility in the market, while volatility is further fuelled by the deleveraging of major central banks and the development of various global events leading to political instability and risk environments across the globe), it is anticipated that the profitability of the Group for the year ended 31 December 2017 may be lower than the year ended 31 December 2016 due to the factors as described above.

Looking ahead, the Group remains confident that it would continue its path of healthy development in spite of many unpredictable difficulties in the markets in which it operates. Further, the implementation of the Group's strategic plan will strengthen it to become a leader among its peers in global foreign exchange trading, and create greater value for its shareholders, investors and customers.

BIOGRAPHICAL DETAILS OF DIRECTORS

The Company discloses below the biographical information of each of the current Directors:

Executive Director

Mr. LIU Stefan (劉欣諾先生), aged 51, is the chief executive officer of the Company. He is also a director of certain subsidiaries of the Company. Mr. Liu is one of the responsible officers of KVB HK and is also a director of KVB Holdings and certain subsidiaries of KVB Holdings, which do not belong to the Group. Mr. Liu was appointed the managing director of the Group in March 2006 and has been a director of KVB Kunlun New Zealand Limited and KVB Kunlun Pty Limited, both operating subsidiaries of the Group, since 6 September 2001 and 26 August 2002 respectively. He was appointed as a Director on 9 November 2010 and is responsible for the overall management and strategic development of the Group. Before joining the Group, Mr. Liu served as the managing director of Aiming International (New Zealand) Co. Limited from August 1997 to August 2001 and was responsible for fostering the development plan, structuring investment direction and strategy, liaising and maintaining relationships with business partners and searching for and maintaining public relationship with potential strategic investors. With his previous and current positions in the Group and other companies, Mr. Liu has obtained over 14 years of experience in the forex market which is relevant to the management, operation and development of the Group. Mr. Liu obtained his bachelor's degree in arts from the Tianjin Foreign Studies University (天津外國語大學) in July 1989.

Non-executive Directors

Mr. LI Zhi Da (李志達先生), aged 63, is the chairman of the Board. Mr. Li is one of the founders of the Group and one of the Substantial Shareholders. Mr. Li was a director of each of KVB Kunlun New Zealand Limited and KVB HK since their respective incorporation until May 2009 and June 2009, respectively. Mr. Li is also a director of each of KVB Holdings, LXL Capital I Limited and LXL Capital II Limited. Mr. Li was the legal representative of a private company engaged in the business of production and sales of cosmetics in the PRC, including the brand “Mininurse”. Since the disposal of the cosmetics business in December 2003, Mr. Li has diversified his investments into other business areas including tourism business in the PRC. Mr. Li obtained his master’s degree in project management from the Zhejiang University (浙江大學) in March 1994. Mr. Li was appointed as a Director on 30 August 2011.

Mr. Stephen Gregory McCOY, aged 64, joined the Group in October 2006 as the senior manager of operations and was later appointed the country manager of Australia in 2008. Mr. McCoy is also a director of KVB Kunlun Pty Ltd and LXL Capital III Limited. Mr. McCoy is also a director of other subsidiaries of KVB Holdings which do not belong to the Group. Before joining the Group, Mr. McCoy worked at Arab Bank Australia Limited as an internal auditor from May 2002 to December 2003 and later as the head of operations from January 2004 to October 2006 and was responsible for managing the operations department of the bank including treasury settlements, retail operations, loan administration, office administration, trade finance and product compliance in line with regulatory authorities and policies and procedures of the bank and before that, Mr. McCoy worked at Westpac Banking Corporation for over 30 years from February 1969 to April 2001 and last held the position of manager of operational risk. With the previous and current positions held by Mr. McCoy in the Group and other companies, Mr. McCoy has obtained over 44 years of combined experience in the financial services industry which is relevant to the operation and development of the Group. Mr. McCoy was appointed as a Director on 15 April 2011.

Independent Non-executive Directors

Ms. ZHAO Guixin (趙桂馨女士), aged 54, joined the Group in April 2011. From June 2005 to July 2007, Ms. Zhao worked at Tianjin Jiandu Investment & Development Co. Ltd. (天津建都投資發展有限公司) which was engaged in property and investment and she was responsible for providing consultation services in project financing, cooperation in public affairs and international investment matters. From May 2003 to August 2007, Ms. Zhao also provided consultation services in finance and investment related matters to Tianjin Wanhe Investment & Development Co. Ltd. (天津萬和投資發展有限公司) which was engaged in property and investment. From July 2001 to October 2003, Ms. Zhao was appointed as the general manager of the audit department of China Citic Bank, Tianjin branch and was responsible for managing the overall performance of the audit department, implementing policies and procedures and other management work. Ms. Zhao has over 24 years of experience in accounting and auditing matters including but not limited to financial analysis, financial management, asset management, assessment and auditing of financial positions and involvement in financial and auditing decision making process. Ms. Zhao completed the course in economics and management organised by the Party School of Central Committee of the Communist Party of China (中共中央黨校) in December 1996. Ms. Zhao further completed the course in

business administration organised by Nankai University (南開大學) in September 1999 and obtained her master's degree in arts in international relations in economy and trade from The Flinders University of South Australia in October 2002. Ms. Zhao was assessed and awarded the qualification of accountant by the Tianjin branch of the Bank of China in 1992. Ms. Zhao was appointed as a Director on 15 April 2011.

Mr. Cornelis Jacobus KEYSER, aged 60, first joined the Group in December 2003 as a senior consultant. In June 2005, he was appointed as the joint Group managing director (group operations and treasury) and managing director (designate proposed banking division) and held that position until he left the Group in April 2008. Since March 2003, Mr. Keyser has been a director of Keyser Merchant & Capital Finance (New Zealand) Limited, which is engaged in the provision of consultation services and he is responsible for managing all aspects of the company and acts as a consultant. From July 1999 to August 2002, Mr. Keyser held the position of group treasurer to Gensec Ltd. and Gensec Bank. From September 1996 to March 1997, Mr. Keyser worked at the Swabou Building Society Group of Companies as the group managing director and was responsible for the operations of the group. From May 1990 to August 1992, Mr. Keyser was appointed the managing director of Keyser Trading (Pty) Limited and from September 1992 to June 1999, he was appointed the managing director of Keyser Merchant and Capital Finance (Pty) Limited. Mr. Keyser is a chartered member of the Institute of Directors in New Zealand Inc. and a member of the Australian Institute of Company Directors. Mr. Keyser has over 24 years of experience in the financial industry. Mr. Keyser obtained his bachelor's degree in industrial psychology, his honours degree in economics (Cum laude) and his master's degree in economics (Cum laude) from the Rand Afrikaans University in April 1981, April 1982 and April 1983, respectively. Mr. Keyser was appointed as a Director on 15 April 2011.

Mr. LIN Wenhui (林文輝先生), aged 39, joined the Group in July 2011. Mr. Lin is currently the audit director of Fujian Yango Holdings Group Limited (福建陽光集團有限公司) and the supervisor of Fujian Longking Co., Ltd. (福建龍淨環保股份有限公司), a company listed on Shanghai Stock Exchange. Mr. Lin was an audit manager of Deloitte Touche Tohmatsu in Beijing from October 2011 to August 2016. From April 2009 to September 2011, Mr. Lin was a manager of RSM China Certified Public Accountants (中瑞岳華會計師事務所). Mr. Lin served as a project manager in the taxation and accounting services department of Reanda Certified Public Accountants (利安達會計師事務所有限責任公司) from September 2004 to March 2006 and a manager assistant in the audit department of the same firm from April 2006 to December 2008. From August 2002 to September 2004, Mr. Lin worked in the accounting department of the head company of the Beijing Shougang Oxygen Plant (北京首鋼氧氣廠) which was engaged in the production and sales of oxygen and other gases for industrial enterprises. Mr. Lin obtained his bachelor's degree in accounting from the Harbin University of Commerce (哈爾濱商業大學) in July 2002. Mr. Lin obtained his certificate of accounting professional from the Finance Bureau of Beijing (北京市財政局) in June 2003 and passed the PRC's national accounting examinations and was awarded the certificate issued by the Committee of the Registered Accountant Examination of the Ministry of Finance (財政部註冊會計師考試委員會) in April 2005. Mr. Lin has been a member of the Chinese Institute of Certified Public Accountants recognised by the Ministry of Finance of the PRC (中華人民共和國財政部) since April 2008. Mr. Lin was appointed as a Director on 16 July 2011.

Directors' interests in Shares

As at the date of this announcement, save as disclosed below, none of the Directors have any other interest in the Shares, underlying Shares or debentures of the Company within the meaning of Part XV of the SFO:

Name of Director	Capacity	Number of Shares/ underlying Shares held			Approximate % of the number of issued shares
		Shares	Options (Note 2)	Sub-total	
Mr. Liu Stefan (Chief Executive Officer)	Beneficial owner	9,520,000	16,300,000	25,820,000	1.27%
Mr. Li Zhi Da (Note 1)	Interest in controlled corporation	300,000,000	–	300,000,000	14.75%
Mr. Stephen Gregory McCoy	Beneficial owner	–	2,000,000	2,000,000	0.10%
Ms. Zhao Guixin	Beneficial owner	200,000	600,000	800,000	0.04%
Mr. Cornelis Jacobus Keyser	Beneficial owner	–	600,000	600,000	0.03%
Mr. Lin Wenhui	Beneficial owner	200,000	600,000	800,000	0.04%

Note 1: Mr. Li Zhi Da, a non-executive Director, is interested in 300,000,000 Shares through his holdings in person in KVB Holdings. As Mr. Li Zhi Da is entitled to control over one-third of the voting power at general meetings of KVB Holdings, he is deemed under the SFO to be interested in the entire 300,000,000 shares held by KVB Holdings.

Note 2: Those options were granted on 19 August 2015 and 29 December 2016 respectively under the Share Option Scheme.

WAIVER FROM STRICT COMPLIANCE WITH RULE 8.12 OF THE MAIN BOARD LISTING RULES

The Company has sought a waiver from strict compliance with Rule 8.12 of the Main Board Listing Rules in relation to the Transfer of Listing.

Pursuant to Rule 8.12 of the Main Board Listing Rules, a new applicant for primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong and, in normal circumstances, at least two of the issuer's executive directors must be ordinarily resident in Hong Kong.

As disclosed in the announcements of the Company dated 18 August 2017 and 17 November 2017, Mr. Ng Chee Hung Frederick has resigned as an executive Director of the Company effective from 17 November 2017. Following his resignation, Mr. Liu Stefan will be the only executive Director who is ordinarily resident in Hong Kong and it is currently contemplated that the Company will not have two executive Directors residing in Hong Kong in the foreseeable future.

The Company applied to the Stock Exchange for a waiver from strict compliance with the requirement under Rule 8.12 of the Main Board Listing Rules on the following reasons and grounds:

- (a) a material part of the Group's business and operations are based in New Zealand; in particular, while the Group carries out margin dealing activities in Hong Kong, the Group's major income from external customers is derived from its operations in New Zealand and the majority of its non-current assets (excluding deferred tax assets) are located in New Zealand. As such, the executive directors and members of senior management of the Company are therefore expected to be split between Hong Kong and New Zealand;
- (b) the following measures will continue to be implemented to maintain regular and effective communication with the Stock Exchange:
 - (i) the Company has an office and principal place of business in Hong Kong Suites 7501 & 7508, 75/F., International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong and it will at all material times have two authorised representatives pursuant to Rule 3.05 of the Main Board Listing Rules who will act as its principal communication channel with the Stock Exchange.

Following the resignation of Mr. Ng Chee Hung Frederick as an executive director of the Company, Mr. Wong Yiu Kit, Ernest, the company secretary and the chief financial officer of the Company who is ordinarily resident in Hong Kong will replace Mr. Ng Chee Hung Frederick as an authorised representative of the Company in Hong Kong. Mr. Liu Stefan will continue to be the other authorised representative of the Company ordinarily resident in Hong Kong.

Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by telephone, facsimile or e-mail and each of them will be duly authorised to communicate on behalf of the Company with the Stock Exchange;

- (ii) the authorised representatives described above will have means to contact all members of the Board (including the non-executive directors) promptly at all times and when the Stock Exchange wishes to contact the members of the Board on any matters. A list of contact details (including mobile phone numbers, office phone numbers, e-mail addresses and fax numbers) of all members of the Board could be provided to the Stock Exchange upon request;

- (iii) the Company will promptly inform the Stock Exchange of any changes of the authorised representatives and the contact details of the authorised representatives and members of the Board;
- (iv) in the event that an executive director expects to travel, he or she will provide a valid phone number or means of communication to the authorised representatives;
- (v) the compliance adviser of the Company, Lego Corporate Finance Limited, will act as an additional channel of communication with the Stock Exchange; and
- (vi) each of the directors who does not ordinarily reside in Hong Kong will confirm that he or she possesses or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange in Hong Kong within a reasonable period.

The Company has received from the Stock Exchange a waiver from strict compliance with Rule 8.12 of the Main Board Listing Rules on 6 December 2017.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for viewing on the respective websites of the Company at <http://www.kvblastco.com> and of the Stock Exchange at <http://www.hkexnews.hk>:

- (a) the Memorandum and the Articles of Association;
- (b) the annual report (including the Director's report) of the Company for the year ended 31 December 2016;
- (c) the quarterly report of the Company for the three months ended 31 March 2017;
- (d) the interim report of the Company for the six months ended 30 June 2017;
- (e) the quarterly report of the Company for the nine months ended 30 September 2017;
- (f) the circular of the Company dated 30 March 2016 in relation to the proposed grant of general mandates to issue and repurchase Shares, re-election of Directors and notice of annual general meeting;
- (g) the circular of the Company dated 2 September 2016 in relation to continuing connected transactions (as defined in the GEM Listing Rules) entered by the Company;
- (h) the circular of the Company dated 28 March 2017 in relation to the proposed grant of general mandates to issue and repurchase Shares, re-election of retiring Directors and notice of annual general meeting; and
- (i) the announcements and other corporate communications made by the Company prior to the date of this announcement as required under the GEM Listing Rules and the Main Board Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Articles of Association”	the articles of association of the Company as adopted by the Company from time to time
“Board”	the board of Directors of the Company
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Operating Procedures”	the operating procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CITIC Securities”	CITIC Securities Company Limited, a company incorporated in the PRC
“Company”	KVB Kunlun Financial Group Limited (昆侖國際金融集團有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed and traded on GEM as at the dated of this Announcement
“Connected Person(s)”	has the meaning ascribed to it under the GEM Listing Rules or Main Board Listing Rules, as applicable
“Controlling Shareholder(s)”	the controlling shareholder(s) (which has the meaning ascribed to it under the GEM Listing Rules or Main Board Listing Rules, as applicable) of the Company
“Director(s)”	the director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“KVB HK”	KVB Kunlun International (HK) Limited, a company incorporated in Hong Kong with limited liability
“KVB Holdings”	KVB Kunlun Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“KVB Holdings Group”	KVB Holdings together with its subsidiaries which do not belong to the Group
“Main Board”	the stock market operated by the Stock Exchange, prior to the establishment of GEM (excluding the options market), which continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
“Main Board Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Memorandum”	the memorandum of association of the Company as adopted by the Company from time to time
“NZD”	New Zealand dollars, the lawfully currency of New Zealand
“PRC” or “Mainland China”	the People’s Republic of China which, for the purposes of this announcement only (unless otherwise indicated), excludes Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme adopted by the Company pursuant to resolution passed by the shareholders of the Company on 3 June 2013
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	the substantial shareholder(s) (which has the meaning ascribed to it under the GEM Listing Rules or Main Board Listing Rules, as applicable) of the Company

“Track Record Period”	the three financial years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017
“Transfer of Listing”	the transfer of the listing of the Shares from GEM to the Main Board pursuant to the relevant provisions of the GEM Listing Rules and the Main Board Listing Rules
“US”	United States of America
“USD”	United States dollars, the lawful currency of the US

By order of the Board
KVB Kunlun Financial Group Limited
Liu Stefan
Executive Director

Hong Kong, 7 December 2017

As at the date of this announcement, the Board comprises the following Directors:

Executive Director

Mr. Liu Stefan

Non-executive Directors

Mr. Li Zhi Da

Mr. Stephen Gregory McCoy

Independent Non-executive Directors

Ms. Zhao Guixin

Mr. Cornelis Jacobus Keyser

Mr. Lin Wenhui

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at <http://www.hkexnews.hk> for a minimum period of seven days from the date of publication and on the website of the Company at <http://www.kvblastco.com>.